

House Study Bill 257 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON HEIN)

A BILL FOR

1 An Act relating to the administration of the tax and
2 related laws by the department of revenue, including the
3 administration and modification of certain tax credits
4 and refunds, the individual and corporate income taxes,
5 franchise taxes, sales and use taxes, and automobile rental
6 excise taxes, the assessment of property owned by certain
7 long distance telephone companies, establishing a taxation
8 and exemption of computers task force, and providing for
9 other properly related matters, making penalties applicable,
10 and including effective date and retroactive applicability
11 provisions.
12 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I
INCOME TAX

Section 1. Section 422.4, subsection 16, paragraph e, unnumbered paragraph 1, Code 2019, is amended to read as follows:

Add back the following percentage of the qualified business income ~~deduction~~ deductions under ~~section 199A~~ sections 199A(a) and 199A(g) of the Internal Revenue Code taken and allowable in calculating federal taxable income for the applicable tax year:

Sec. 2. Section 422.9, subsection 2A, paragraph a, unnumbered paragraph 1, Code 2019, is amended to read as follows:

The following percentage of the qualified business income ~~deduction~~ deductions under ~~section 199A~~ sections 199A(a) and 199A(g) of the Internal Revenue Code taken and allowable in calculating federal taxable income for the applicable tax year:

Sec. 3. Section 422.9, subsection 2A, paragraph b, Code 2019, is amended to read as follows:

b. Notwithstanding paragraph "a", and section 422.4, subsection 16, paragraph "e", for an entity electing or required to file a composite return under section 422.13, subsection 5, the deduction allowed under **this subsection** for purposes of the composite return shall be an amount equal to the applicable percentage described in paragraph "a" of the ~~deduction~~ deductions that would be allowable for federal income tax purposes under ~~section 199A~~ sections 199A(a) and 199A(g) of the Internal Revenue Code by an individual taxpayer reporting the same items of income and loss that are included in the composite return.

Sec. 4. Section 422.11S, subsection 7, paragraph b, Code 2019, is amended to read as follows:

b. The department shall authorize a school tuition organization to issue tax credit certificates for contributions made to the school tuition organization. The aggregate amount of tax credit certificates that the department shall authorize

1 for a school tuition organization for a ~~tax~~ calendar year shall
2 be determined for that organization pursuant to subsection 8.
3 However, a school tuition organization shall not be authorized
4 to issue tax credit certificates unless the organization is
5 controlled by a board of directors consisting of at least
6 seven members. The names and addresses of the members shall
7 be provided to the department and shall be made available
8 by the department to the public, notwithstanding any state
9 confidentiality restrictions.

10 Sec. 5. Section 422.11S, subsection 8, paragraph a,
11 subparagraph (2), Code 2019, is amended to read as follows:

12 (2) *"Total approved tax credits"* means for the ~~tax year~~
13 ~~beginning in the~~ 2006 calendar year, two million five hundred
14 thousand dollars, for the ~~tax year beginning in the~~ 2007
15 calendar year, five million dollars, for ~~tax~~ calendar years
16 beginning on or after January 1, 2008, but before January 1,
17 2012, seven million five hundred thousand dollars, for ~~tax~~
18 calendar years beginning on or after January 1, 2012, but
19 before January 1, 2014, eight million seven hundred fifty
20 thousand dollars, ~~and~~ for ~~tax~~ calendar years beginning on or
21 after January 1, 2014, but before January 1, 2019, twelve
22 million dollars, and for ~~tax~~ calendar years beginning on or
23 after January 1, 2019, thirteen million dollars.

24 Sec. 6. Section 422.11S, subsection 8, paragraph b,
25 unnumbered paragraph 1, Code 2019, is amended to read as
26 follows:

27 Each year by December 1, the department shall authorize
28 school tuition organizations to issue tax credit certificates
29 for the following ~~tax~~ calendar year. However, for the ~~tax year~~
30 ~~beginning in the~~ 2006 calendar year only, the department, by
31 September 1, 2006, shall authorize school tuition organizations
32 to issue tax credit certificates for the 2006 calendar ~~tax~~
33 year. For the ~~tax year beginning in the~~ 2006 calendar year
34 only, each school served by a school tuition organization shall
35 submit a participation form to the department by August 1,

1 2006, providing the certified enrollment as of the third Friday
2 of September 2005, along with the school tuition organization
3 that represents the school. Tax credit certificates available
4 for issue by each school tuition organization shall be
5 determined in the following manner:

6 Sec. 7. Section 422.11S, subsection 9, unnumbered paragraph
7 1, Code 2019, is amended to read as follows:

8 A school tuition organization that receives a voluntary cash
9 or noncash contribution pursuant to [this section](#) shall report
10 to the department, on a form prescribed by the department,
11 by January 12 of each ~~tax~~ calendar year all of the following
12 information:

13 Sec. 8. Section 422.11S, subsection 9, paragraphs b and c,
14 Code 2019, are amended to read as follows:

15 *b.* The total number and dollar value of contributions
16 received and the total number and dollar value of the tax
17 credits approved during the previous ~~tax~~ calendar year.

18 *c.* A list of the individual donors for the previous ~~tax~~
19 calendar year that includes the dollar value of each donation
20 and the dollar value of each approved tax credit.

21 Sec. 9. Section 422.12C, subsection 4, Code 2019, is amended
22 to read as follows:

23 4. Married taxpayers who have filed joint federal returns
24 electing to file separate returns or to file separately on a
25 combined return form must determine the child and dependent
26 care credit under [subsection 1](#) or the early childhood
27 development tax credit under [subsection 2](#) based upon their
28 combined net income and allocate the total credit amount to
29 each spouse in the proportion that each spouse's respective net
30 income bears to the total combined net income. Nonresidents or
31 part-year residents of Iowa must determine their Iowa child and
32 dependent care credit under subsection 1 or the early childhood
33 development tax credit under subsection 2 in the ratio of
34 their Iowa source net income to their all source net income.
35 Nonresidents or part-year residents who are married and elect

1 to file separate returns or to file separately on a combined
2 return form must allocate the Iowa child and dependent care
3 credit under subsection 1 or the early childhood development
4 tax credit under subsection 2 between the spouses in the ratio
5 of each spouse's Iowa source net income to the combined Iowa
6 source net income of the taxpayers.

7 Sec. 10. Section 422.60, subsection 2, paragraph b, Code
8 2019, is amended by adding the following new subparagraph:

9 NEW SUBPARAGRAPH. (6) For purposes of this paragraph,
10 "*Internal Revenue Code*" means the Internal Revenue Code of
11 1954, prior to the date of its redesignation as the Internal
12 Revenue Code of 1986 by the Tax Reform Act of 1986, or means
13 the Internal Revenue Code of 1986 as amended and in effect on
14 December 21, 2017. This definition shall not be construed to
15 include any amendment to the Internal Revenue Code enacted
16 after the date specified in the preceding sentence, including
17 any amendment with retroactive applicability or effectiveness.

18 Sec. 11. LIKE-KIND EXCHANGES OF PERSONAL PROPERTY
19 UNDER CORPORATE INCOME TAX AND FRANCHISE TAX FOR TAX YEAR
20 2019. Notwithstanding any other provision of law to the
21 contrary, all of the following shall apply when computing net
22 income for purposes of the corporation income tax or franchise
23 tax under section 422.35 for tax years beginning during the
24 2019 calendar year:

25 1. The rules for nonrecognition of gain or loss from
26 exchanges of real property held for productive use or
27 investment and not held primarily for sale, as provided in
28 section 1031 of the Internal Revenue Code, as amended up to and
29 including March 24, 2018, apply for state income tax purposes
30 with regard to exchanges of real property.

31 2. The rules for nonrecognition of gain or loss from
32 exchanges of property other than real property held for
33 productive use or investment as provided in section 1031 of the
34 Internal Revenue Code, as amended up to and including December
35 21, 2017, apply for state income tax purposes, notwithstanding

1 any other provision of law to the contrary. If the taxpayer's
2 federal taxable income includes gain or loss from property,
3 other than real property described in subsection 1, and the
4 taxpayer elects to have this subsection apply, the following
5 adjustments shall be made:

6 a. (1) Subtract the total amount of gain related to the
7 sale or exchange of the property as properly reported for
8 federal tax purposes under the Internal Revenue Code.

9 (2) Add back any gain related to the sale or exchange of the
10 property to the extent such gain does not qualify for deferral
11 under section 1031 of the Internal Revenue Code, as amended
12 up to and including December 21, 2017, which gain shall be
13 calculated using the taxpayer's adjusted basis in the property
14 for state tax purposes.

15 b. (1) Add the total amount of loss related to the sale or
16 exchange of the property as properly reported for federal tax
17 purposes under the Internal Revenue Code.

18 (2) Subtract any loss related to the sale or exchange of the
19 property to the extent such loss does not qualify for deferral
20 under section 1031 of the Internal Revenue Code, as amended
21 up to and including December 21, 2017, which loss shall be
22 calculated using the taxpayer's adjusted basis in the property
23 for state tax purposes.

24 c. Any other adjustments to gains, losses, deductions, or
25 tax basis for the property given up or received in the sale or
26 exchange pursuant to rules adopted by the director.

27 Sec. 12. REFUNDS — EARLY CHILDHOOD DEVELOPMENT TAX
28 CREDIT. Notwithstanding any provision of law to the contrary,
29 for tax years beginning prior to January 1, 2019, refunds of
30 the early childhood development tax credit provided in section
31 422.12C, subsection 2, requested on or after the effective
32 date of the provision of this division of this Act amending
33 section 422.12C, subsection 4, shall not exceed the amount
34 allowed under section 422.12C, subsection 4, as amended by this
35 division of this Act.

1 Sec. 13. LEGISLATIVE INTENT. It is the intent of the
2 general assembly that the provisions of this division of
3 this Act amending section 422.11S are conforming amendments
4 consistent with current state law, and that the amendments do
5 not change the application of current law but instead reflect
6 current law both before and after the enactment of this Act.

7 Sec. 14. EFFECTIVE DATE. The following, being deemed of
8 immediate importance, take effect upon enactment:

9 1. The section of this division of this Act amending section
10 422.12C, subsection 4.

11 2. The section of this division of this Act relating to
12 refunds for the early childhood development tax credit.

13 3. The section of this division of this Act relating to
14 like-kind exchanges of personal property under corporate income
15 tax and franchise tax.

16 Sec. 15. RETROACTIVE APPLICABILITY. The following apply
17 retroactively to January 1, 2019, for tax years beginning on
18 or after that date:

19 1. The section of this division of this Act amending section
20 422.4, subsection 16, paragraph "e", unnumbered paragraph 1.

21 2. The sections of this division of this Act amending
22 section 422.9, subsection 2A.

23 3. The section of this division of this Act amending section
24 422.12C, subsection 4.

25 4. The section of this division of this Act amending section
26 422.60, subsection 2, paragraph "b".

27 Sec. 16. RETROACTIVE APPLICABILITY — LIKE-KIND EXCHANGES
28 OF PERSONAL PROPERTY. The section of this division of this
29 Act relating to like-kind exchanges of personal property under
30 corporate income tax and franchise tax applies retroactively to
31 January 1, 2019, for tax years beginning on or after that date,
32 but before January 1, 2020.

33 DIVISION II

34 ADMINISTRATIVE PROVISIONS

35 Sec. 17. Section 422.20, Code 2019, is amended by adding the

1 following new subsection:

2 NEW SUBSECTION. 5. The department may permit, by rule, the
3 disclosure of state tax information to a person a taxpayer has
4 authorized to receive such state tax information, in the manner
5 prescribed by the department.

6 Sec. 18. Section 422.72, Code 2019, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 8. The department may permit, by rule, the
9 disclosure of state tax information to a person a taxpayer has
10 authorized to receive such state tax information, in the manner
11 prescribed by the department.

12 DIVISION III

13 SALES AND USE TAX

14 Sec. 19. Section 423.2, subsection 1, paragraph a,
15 subparagraph (5), subparagraph division (a), Code 2019, is
16 amended to read as follows:

17 (a) If a service or warranty contract does not specify a fee
18 amount for nontaxable services or taxable personal property,
19 the tax imposed pursuant to [this section](#) shall be imposed upon
20 an amount equal to ~~one-half of~~ the sales price of the contract.

21 Sec. 20. Section 423.2, subsection 6, paragraph k, Code
22 2019, is amended to read as follows:

23 k. Carpentry repair and installation.

24 Sec. 21. Section 423.3, Code 2019, is amended by adding the
25 following new subsection:

26 NEW SUBSECTION. 16A. a. The sales price from the sale of
27 a grain bin, including material or replacement parts used to
28 construct or repair a grain bin.

29 b. For purposes of this subsection, "grain bin" means
30 property that is vented and covered with corrugated metal or
31 similar material, and that is primarily used to hold loose
32 grain for drying or storage.

33 Sec. 22. Section 423.3, subsection 47, paragraph c,
34 subparagraph (3), Code 2019, is amended by striking the
35 subparagraph and inserting in lieu thereof the following:

1 (3) The following within the scope of section 427A.1,
2 subsection 1, paragraphs "h" and "i":

3 (a) Computers.

4 (b) Machinery.

5 (c) Equipment, including pollution control equipment.

6 (d) Replacement parts.

7 (e) Supplies.

8 (f) Materials used to construct or self-construct the
9 following:

10 (i) Computers.

11 (ii) Machinery.

12 (iii) Equipment, including pollution control equipment.

13 (iv) Replacement parts.

14 (v) Supplies.

15 Sec. 23. Section 423.3, subsection 104, paragraph a, Code
16 2019, is amended to read as follows:

17 a. The sales price of specified digital products and of
18 prewritten computer software sold, and of enumerated services
19 described in section 423.2, subsection 1, paragraph "a",
20 subparagraph (5), or section 423.2, subsection 6, paragraphs
21 "bq", "br", "bs", and "bu" furnished, to a commercial enterprise
22 for use exclusively by the commercial enterprise. The use of
23 prewritten computer software, a specified digital product, or
24 service fails to qualify as a use exclusively by the commercial
25 enterprise if its use for noncommercial purposes is more than
26 de minimis.

27 Sec. 24. Section 423.14A, subsection 3, paragraph b, Code
28 2019, is amended by striking the paragraph.

29 Sec. 25. Section 423.14A, subsection 3, paragraph d,
30 subparagraph (1), Code 2019, is amended to read as follows:

31 (1) A marketplace facilitator that makes or facilitates
32 Iowa sales on its own behalf or for one or more marketplace
33 sellers equal to or exceeding one hundred thousand dollars,
34 ~~or in two hundred or more separate transactions,~~ for an
35 immediately preceding calendar year or a current calendar year.

1 Sec. 26. Section 423.14A, subsection 3, paragraph e,
2 subparagraph (1), unnumbered paragraph 1, Code 2019, is amended
3 to read as follows:

4 A referrer if, for any immediately preceding calendar year
5 or a current calendar year, one hundred thousand dollars or
6 more in Iowa sales ~~or two hundred or more separate Iowa sales~~
7 ~~transactions~~ result from referrals from a platform of the
8 referrer. A referrer is not required to collect and remit
9 sales and use tax pursuant to this paragraph if the referrer
10 does all of the following:

11 Sec. 27. Section 423.14A, subsection 3, paragraph e,
12 subparagraph (1), subparagraph division (c), unnumbered
13 paragraph 1, Code 2019, is amended to read as follows:

14 The referrer provides the department with ~~monthly~~ annual
15 reports in an electronic format and in the manner prescribed
16 by the department, which ~~monthly~~ annual reports contain all of
17 the following:

18 Sec. 28. Section 423.14A, subsection 3, paragraph e, Code
19 2019, is amended by adding the following new subparagraph:

20 NEW SUBPARAGRAPH. (5) This paragraph is subject to
21 implementation by the department by rule and shall not require
22 a referrer to collect tax or comply with the notice and
23 reporting requirements and other provisions of this paragraph
24 unless and until such administrative rules take effect.

25 Sec. 29. Section 423.48, subsection 2, paragraph c, Code
26 2019, is amended by striking the paragraph.

27 Sec. 30. TAXATION AND EXEMPTION OF COMPUTERS TASK FORCE. A
28 taxation and exemption of computers task force is created. The
29 department of revenue shall initiate and coordinate the task
30 force and provide staff assistance. It is the intent of the
31 general assembly that the task force include representatives
32 of appropriate stakeholders identified by the director of
33 the department of revenue. The director of revenue or the
34 director's designee shall serve as chairperson of the task
35 force.

1 The task force shall be charged with reviewing the
2 definition of "computer" as used throughout the portions of the
3 Iowa Code and the Iowa Administrative Code administered by the
4 department of revenue including the exemption for computers
5 provided in section 423.3, subsection 47, paragraph "a",
6 subparagraph (4). If the task force recommends modifications
7 to the current definition of "computer" including the exemption
8 for computers provided in section 423.3, subsection 47,
9 paragraph "a", subparagraph (4), the department of revenue
10 shall provide any recommendations to the general assembly by
11 January 1, 2020.

12 Sec. 31. EFFECTIVE DATE. The following, being deemed of
13 immediate importance, take effect upon enactment:

14 The section of this division of this Act amending section
15 423.3, subsection 47, paragraph "c", subparagraph (3).

16 Sec. 32. RETROACTIVE APPLICABILITY. The following applies
17 retroactively to January 1, 2016, for tax years beginning on
18 or after that date:

19 The section of this division of this Act amending section
20 423.3, subsection 47, paragraph "c", subparagraph (3).

21 DIVISION IV

22 AUTOMOBILE RENTAL EXCISE TAX

23 Sec. 33. Section 423.14A, subsection 1, paragraph b,
24 subparagraph (3), Code 2019, is amended to read as follows:

25 (3) A ~~"rental platform", as defined in section 423C.2, that~~
26 ~~meets the requirements described in~~ person who is not required
27 to collect and remit automobile rental excise tax pursuant to
28 section 423C.3, subsection 3, paragraph "e", subparagraph (2),
29 shall not be considered a "marketplace facilitator" with respect
30 to any sale of a transportation service under section 423.2,
31 subsection 6, paragraph "bf", or section 423.5, subsection 1,
32 paragraph "e", consisting of the rental of vehicles subject
33 to registration which are registered for a gross weight of
34 thirteen tons or less for a period of sixty days or less.

35 Sec. 34. Section 423C.2, subsection 3, paragraphs a and b,

1 Code 2019, are amended to read as follows:

2 a. A person or any affiliate of a person that owns or
3 controls an automobile and makes the automobile available for
4 rent through the person or any affiliate, or through a ~~rental~~
5 ~~platform or rental facilitator~~ any other person required to
6 collect sales or use tax under chapter 423.

7 b. A person or any affiliate of a person who possesses or
8 acquires a right or interest in any automobile with an intent
9 to rent the automobile to another person, or ~~through the person~~
10 ~~or any affiliate, or through a rental platform or a rental~~
11 ~~facilitator~~ any other person required to collect sales or use
12 tax under chapter 423.

13 Sec. 35. Section 423C.2, subsection 6, Code 2019, is amended
14 to read as follows:

15 6. "*Facilitation fee*" means any consideration, by whatever
16 name called, that a ~~rental facilitator or a rental platform~~
17 person charges to a user for facilitating the user's rental
18 of an automobile. "*Facilitation fee*" does not include any
19 commission an automobile provider pays to a ~~rental facilitator~~
20 ~~or a rental platform~~ person for facilitating the rental of an
21 automobile.

22 Sec. 36. Section 423C.2, subsections 9 and 10, Code 2019,
23 are amended by striking the subsections.

24 Sec. 37. Section 423C.2, subsection 11, Code 2019, is
25 amended to read as follows:

26 11. "*Rental price*" means ~~all consideration charged for~~
27 ~~the renting and facilitation of renting of an automobile~~
28 ~~before taxes, including but not limited to facilitation fees,~~
29 ~~reservation fees, services fees, nonrefundable deposits, and~~
30 ~~any other direct or indirect charge made or consideration~~
31 ~~provided in connection with the renting or facilitation of~~
32 ~~renting of an automobile~~ the same as "*sales price*" as defined
33 in section 423.1, which term includes but is not limited
34 to facilitation fees, reservation fees, services fees,
35 nonrefundable deposits, and any other direct or indirect charge

1 made or consideration provided in connection with the renting
2 or facilitation of renting an automobile.

3 Sec. 38. Section 423C.3, Code 2019, is amended to read as
4 follows:

5 **423C.3 Tax on rental of automobiles — collection and**
6 **remittance of tax.**

7 1. ~~For purposes of this section:~~

8 ~~a. “Discount rental charge” means the amount an automobile~~
9 ~~provider charges to a rental facilitator for the rental of an~~
10 ~~automobile, excluding any applicable tax.~~

11 ~~b. “Travel package” means an automobile rental bundled~~
12 ~~with one or more separate components such as lodging, air~~
13 ~~transportation, or similar items and charged for a single~~
14 ~~retail price.~~

15 2. 1. A tax of five percent is imposed upon the rental
16 price of an automobile if the rental transaction is subject to
17 the sales and services tax under chapter 423, subchapter II, or
18 the use tax under chapter 423, subchapter III. The tax shall
19 not be imposed on any rental transaction not taxable under the
20 state sales and services tax, as provided in section 423.3, or
21 the state use tax, as provided in section 423.6, on automobile
22 rental receipts.

23 3. 2. This subsection shall govern the collection and
24 ~~remittance of the tax imposed under subsection 2~~ The tax
25 imposed under subsection 1 shall be collected and remitted to
26 the department by all persons required to collect state sales
27 and use tax on the rental transaction under chapter 423.

28 ~~a. Unless otherwise provided in this subsection, the~~
29 ~~automobile provider shall collect the tax by adding the tax to~~
30 ~~the rental price of the automobile and the tax, when collected,~~
31 ~~shall be stated as a distinct item separate and apart from~~
32 ~~the rental price of the automobile and the sales and services~~
33 ~~tax imposed under chapter 423, subchapter II, or the use tax~~
34 ~~imposed under chapter 423, subchapter III.~~

35 ~~b. If a transaction for the rental of an automobile involves~~

1 ~~a rental facilitator, all of the following shall occur in the~~
2 ~~order prescribed:~~

3 ~~(1) The rental facilitator shall collect the tax on any~~
4 ~~rental price that the user pays to the rental facilitator in~~
5 ~~the same manner as an automobile provider under paragraph "a".~~

6 ~~(2) (a) Unless otherwise required by rule or order of~~
7 ~~the department, the rental facilitator shall remit to the~~
8 ~~automobile provider that portion of the tax collected on the~~
9 ~~rental price that represents the discount rental charge.~~

10 ~~(b) No assessment shall be made against a rental facilitator~~
11 ~~for tax due on a discount rental charge if the rental~~
12 ~~facilitator collected the tax and remitted it to an automobile~~
13 ~~provider that has a valid tax permit required under this~~
14 ~~chapter or under [chapter 423](#). This subparagraph division shall~~
15 ~~not apply if the rental facilitator and automobile provider~~
16 ~~are affiliates, or if the department requires the rental~~
17 ~~facilitator to remit taxes collected on that portion of the~~
18 ~~sales price that represents the discount rental charge directly~~
19 ~~to the department.~~

20 ~~(3) The rental facilitator shall remit any remaining tax it~~
21 ~~collected to the department.~~

22 ~~(4) (a) The automobile provider shall collect and remit~~
23 ~~to the department any taxes the rental facilitator remitted to~~
24 ~~the automobile provider, and shall collect and remit to the~~
25 ~~department any taxes due on any amount of rental price the user~~
26 ~~paid to the automobile provider.~~

27 ~~(b) No assessment shall be made against an automobile~~
28 ~~provider for any tax due on a discount rental charge that~~
29 ~~was not remitted to the automobile provider by a rental~~
30 ~~facilitator. This subparagraph division shall not apply if the~~
31 ~~automobile provider and the rental facilitator are affiliates.~~

32 ~~(5) Notwithstanding any other provision of this paragraph~~
33 ~~to the contrary, if a rental facilitator and its affiliates~~
34 ~~facilitate total rentals under [this chapter](#) and [chapter](#)~~
35 ~~423A that are equal to or less than an aggregate amount of~~

~~1 rental price and sales price of ten thousand dollars for an
2 immediately preceding calendar year or a current calendar year,
3 or in ten or fewer separate transactions for an immediately
4 preceding calendar year or a current calendar year, the
5 rental facilitator shall not be required to collect tax on the
6 amount of sales price that represents the rental facilitator's
7 facilitation fee.~~

8 ~~c. (1) If a transaction for the rental of an automobile
9 involves a rental platform, other than a rental platform
10 described in subparagraph (2), the rental platform shall
11 collect and remit the tax imposed under this chapter in the
12 same manner as an automobile provider under paragraph "a".~~

13 ~~(2) 3. A rental platform person is not required to collect
14 and remit the tax imposed under this chapter in the same manner
15 as an automobile provider under paragraph "a" if the rental
16 platform person meets all of the following requirements:~~

17 ~~a. The person or any affiliate of the person is not an
18 automobile provider.~~

19 ~~b. The person or any affiliate of the person facilitates the
20 renting of an automobile by doing all of the following:~~

21 ~~(1) The person owns, operates, or controls an automobile
22 rental marketplace that allows an automobile provider who is
23 not an affiliate of the person to offer or list an automobile
24 for rent on the marketplace. For purposes of this paragraph,
25 it is immaterial whether or not the automobile provider has
26 a tax permit under this chapter or chapter 423 or whether
27 the automobile is owned by a natural person or by a business
28 entity.~~

29 ~~(2) The person or affiliate of the person collects or
30 processes the rental price charged to the user.~~

31 ~~(a) c. The only sales the rental platform person and
32 its affiliates of the person facilitate that are subject to
33 tax under chapter 423 are sales of a transportation service
34 under section 423.2, subsection 6, paragraph "bf", or section
35 423.5, subsection 1, paragraph "e", consisting of the rental~~

1 of vehicles subject to registration which are registered for
2 a gross weight of thirteen tons or less for a period of sixty
3 days or less.

4 ~~(b)~~ d. The ~~rental platform~~ person operates a peer-to-peer
5 automobile sharing marketplace.

6 ~~(3)~~ 4. For any rental transaction for which ~~the rental~~
7 ~~platform~~ a person is required to or elects to collect and
8 remit the tax under this chapter, the ~~rental platform~~ person
9 shall also be liable for the collection and remittance of any
10 sales or use tax due on that transaction under section 423.2,
11 subsection 6, paragraph "bf", or section 423.5, subsection
12 1, paragraph "e", notwithstanding any other provision to the
13 contrary in chapter 423.

14 ~~(4)~~ 5. For any rental transaction for which the ~~rental~~
15 ~~platform~~ person is not required to collect and remit the
16 tax under this chapter as provided under ~~subparagraph (2)~~
17 subsection 3, the automobile provider shall be solely liable
18 for any amount of uncollected or unremitted tax under this
19 chapter and chapter 423.

20 DIVISION V

21 TELEPHONE COMPANY PROPERTY

22 Sec. 39. Section 476.1D, Code 2019, is amended by adding the
23 following new subsection:

24 NEW SUBSECTION. 10. *a.* The board, at the request of a
25 long distance telephone company, shall classify such company
26 as a competitive long distance telephone company if more
27 than half of the company's revenues from its Iowa intrastate
28 telecommunications services and facilities are received
29 from services and facilities that the board has determined
30 to be subject to effective competition, or if more than
31 half of the company's revenues from its Iowa intrastate
32 telecommunications services and facilities are received from
33 intralata interexchange services and facilities. For purposes
34 of this subsection, "*intralata interexchange services*" means
35 those interexchange services that originate and terminate

1 within the same local access transport area.

2 **b.** The board shall promptly notify the director of revenue
3 that a long distance telephone company has been classified
4 as a competitive long distance telephone company. Upon such
5 notification by the board, the director of revenue shall assess
6 the property of such competitive long distance telephone
7 company, which property is first assessed for taxation in this
8 state on or after January 1, 1996, in the same manner as all
9 other property assessed as commercial property by the local
10 assessor under chapters 427, 427A, 427B, 428, and 441. As used
11 in this section, "*long distance telephone company*" means an
12 entity that provides telephone service and facilities between
13 local exchanges, but does not include a cellular service
14 provider or a local exchange utility holding a certificate
15 issued under section 476.29, subsection 12.

16 Sec. 40. Section 476.1D, subsection 10, as enacted in this
17 division of this Act, is amended by striking the subsection.

18 Sec. 41. EFFECTIVE DATE. The following, being deemed of
19 immediate importance, takes effect upon enactment:

20 The section of this division of this Act enacting section
21 476.1D, subsection 10.

22 Sec. 42. RETROACTIVE APPLICABILITY. The following applies
23 retroactively to July 1, 2018, for assessment years beginning
24 on or after that date:

25 The section of this division of this Act enacting section
26 476.1D, subsection 10.

27 Sec. 43. EFFECTIVE DATE. The following takes effect July
28 1, 2021:

29 The section of this division of this Act striking section
30 476.1D, subsection 10.

31 Sec. 44. APPLICABILITY. The following applies to
32 assessment years beginning on or after January 1, 2022:

33 The section of this division of this Act striking section
34 476.1D, subsection 10.

35

DIVISION VI

1 TARGETED JOBS WITHHOLDING CREDIT

2 Sec. 45. Section 403.19A, subsection 3, paragraph c,
3 subparagraph (2), Code 2019, is amended to read as follows:

4 (2) The pilot project city and the economic development
5 authority shall not enter into a withholding agreement after
6 June 30, ~~2019~~ 2020.

7 DIVISION VII

8 SCHOOL TUITION ORGANIZATION TAX CREDITS

9 Sec. 46. Section 422.11S, subsection 8, paragraph a,
10 subparagraph (2), Code 2019, is amended to read as follows:

11 (2) *"Total approved tax credits"* means for the tax year
12 beginning in the 2006 calendar year, two million five hundred
13 thousand dollars, for the tax year beginning in the 2007
14 calendar year, five million dollars, for tax years beginning
15 on or after January 1, 2008, but before January 1, 2012, seven
16 million five hundred thousand dollars, for tax years beginning
17 on or after January 1, 2012, but before January 1, 2014, eight
18 million seven hundred fifty thousand dollars, ~~and~~ for tax years
19 beginning on or after January 1, 2014, but before January 1,
20 2019, twelve million dollars, ~~and~~ for tax years beginning on
21 or after January 1, 2019, but before January 1, 2020, thirteen
22 million dollars, and for tax years beginning on or after
23 January 1, 2020, fourteen million dollars.

24 Sec. 47. CONTINGENT CODE EDITOR DIRECTIVE. The Code editor
25 is directed to harmonize the section of this division of this
26 Act amending section 422.11S with the other division of this
27 Act amending section 422.11S, if enacted, by changing tax year
28 to calendar year where appropriate and to make other related
29 changes, if necessary, to effectuate such changes.

30 EXPLANATION

31 The inclusion of this explanation does not constitute agreement with
32 the explanation's substance by the members of the general assembly.

33 This bill relates to the administration of the tax and
34 related laws by the department of revenue, including the
35 administration and modification of certain taxes, tax credits,

1 and refunds.

2 DIVISION I — INCOME TAX. The amendments to Code sections
3 422.4(16) and 422.9 modify Internal Revenue Code references
4 relating to the qualified business income deduction. The
5 amendments to Code sections 422.4(16) and 422.9 apply
6 retroactively for tax years beginning on or after January 1,
7 2019.

8 The amendments to Code section 422.11S specify that school
9 tuition organization tax credits shall be authorized by the
10 department of revenue on a calendar year basis rather than
11 a tax year basis. The amendments to Code section 422.11S
12 also specify that a school tuition organization shall be
13 controlled by a board of directors consisting of at least seven
14 members. Under current law, the board of directors shall be
15 seven members. The bill provides that it is the intent of the
16 general assembly that the amendments to Code section 422.11S
17 are conforming amendments consistent with current law, and that
18 the amendments do not change the application of current law.
19 The bill also amends Code section 422.11S in division VII of
20 the bill.

21 The amendment to Code section 422.12C specifies that a
22 nonresident or part-year resident shall determine their early
23 childhood development tax credit in the ratio of the taxpayer's
24 Iowa source net income to their all source net income. The
25 amendment to Code section 422.12C takes effect upon enactment
26 and applies retroactively for tax years beginning on or
27 after January 1, 2019. The bill specifies that for tax years
28 beginning prior to January 1, 2019, refunds of the early
29 childhood development tax credit requested on or after July 1,
30 2019, shall not exceed the amount allowed under Code section
31 422.12C(4), as amended by the bill.

32 The amendment to Code section 422.60 aligns the definition
33 of "Internal Revenue Code" for franchise alternative minimum
34 tax purposes with the definition of "Internal Revenue Code"
35 for corporate alternative minimum tax purposes. The amendment

1 to Code section 422.60 applies retroactively for tax years
2 beginning on or after January 1, 2019.

3 The bill provides for a deferral of a gain or loss resulting
4 from exchanging of property (1031 exchange) that meet certain
5 conditions. The federal Tax Cuts and Jobs Act of 2017 repealed
6 1031 exchanges with respect to exchanges of personal property.
7 The Iowa tax bill enacted last year (2018 Iowa Acts, chapter
8 1161) decouples, for Iowa individual tax purposes, from the
9 federal repeal of 1031 exchanges relating to personal property,
10 and permits individuals to defer gain or loss on qualifying
11 personal property for tax year 2019 to the extent such deferral
12 would have been permitted under federal law prior to its
13 amendment by the federal Tax Cuts and Jobs Act of 2017. The
14 bill permits a corporation or financial institution, for Iowa
15 corporate income tax or franchise income tax purposes, the same
16 deferral of gain or loss as individuals on qualifying personal
17 property for tax year 2019 to the extent such deferral would
18 have been permitted under federal law prior to its amendment
19 by the federal Tax Cuts and Jobs Act of 2017. The 1031
20 exchange provision takes effect upon enactment, and applies
21 retroactively for tax years beginning January 1, 2019, but
22 before January 1, 2020.

23 DIVISION II — ADMINISTRATIVE PROVISIONS. The amendments
24 to Code sections 422.20 and 422.72 permit the department of
25 revenue, by rule, to disclose state tax information to a person
26 a taxpayer has identified to receive such information in the
27 manner prescribed by the department of revenue.

28 DIVISION III — SALES AND USE TAX. The amendment to Code
29 section 423.2(1) provides that if a service or warranty
30 contract does not specify a fee amount for nontaxable services
31 or taxable personal property, the sales tax shall be imposed
32 upon an amount equal to the sales price of the contract.
33 Currently, the sales tax is imposed upon an amount equal to
34 one-half of the sales price of such a contract.

35 The amendment to Code section 432.2(6) specifies that

1 the sales price from the furnishing of carpentry repair and
2 installation services are subject to the sales tax. Currently,
3 carpentry services are subject to sales tax.

4 The bill enacts new Code section 423.3(16A), exempting from
5 the state sales and use tax the purchase price of a grain bin,
6 including material or replacement parts used to construct or
7 repair a grain bin. "Grain bin" is defined to mean property
8 that is vented and covered with corrugated metal or similar
9 material, and that is primarily used to hold loose grain for
10 drying or storage.

11 The amendment to Code section 423.3(47) changes the
12 exclusions from the sales tax exemptions in that subsection by
13 aligning the exclusions with the changes made to the exemptions
14 enacted in 2016 Iowa Acts, chapter 1007. This provision takes
15 effect upon enactment and applies retroactively to tax years
16 beginning January 1, 2016, for tax years beginning on or after
17 that date.

18 The amendment to Code section 423.3(104) exempts from the
19 sales tax the sales of optional service or warranty contracts
20 for computer software maintenance or support services furnished
21 to a commercial enterprise used exclusively by the commercial
22 enterprise. "Commercial enterprise" is defined in 423.3(104).

23 Currently, a retailer making Iowa sales, as defined in Code
24 section 423.14A(1)(a), shall collect and remit sales, use, and
25 local option taxes, if the retailer has gross revenue from
26 Iowa sales equal to or exceeding \$100,000 for an immediately
27 preceding calendar year or a current calendar year, or has 200
28 or more separate transactions for an immediately preceding
29 calendar year or a current calendar year. The bill amends
30 Code section 423.14A(3)(b) by striking the requirement that
31 retailers making Iowa sales collect such taxes if the retailer
32 has 200 or more separate transactions for an immediately
33 preceding calendar year or a current calendar year.

34 The bill amends Code section 423.14A(3)(d) by striking
35 the requirement that a marketplace facilitator, as defined

1 in Code section 423.14A(1)(b), making Iowa sales, as defined
2 in Code section 423.14A(1)(a), collect sales, use, and local
3 option taxes if the marketplace facilitator has 200 or more
4 separate transactions for an immediately preceding calendar
5 year or a current calendar year. The bill does not strike the
6 requirement that a marketplace facilitator collect such taxes
7 if the marketplace facilitator makes or facilitates Iowa sales
8 on its own behalf or for one or more marketplace sellers equal
9 to or exceeding \$100,000.

10 The bill amends Code section 423.14A(3)(e) by striking
11 the requirement that a referrer, as defined in Code section
12 423.14A(3)(e)(3), making Iowa sales, as defined in Code section
13 423.14A(1)(a), collect sales, use, and local option taxes if
14 the referrer has 200 or more separate transactions for an
15 immediately preceding calendar year or a current calendar
16 year. The bill does not strike the requirement that a referrer
17 collect such taxes if the referrer has Iowa sales equal to or
18 exceeding \$100,000.

19 Currently, a referrer is required to provide the department
20 of revenue, on a monthly basis, a list of marketplace sellers
21 who collect and remit Iowa sales and use tax on the platform
22 of the referrer. Otherwise, the referrer is required to
23 collect and remit Iowa sales and use tax. The amendment to
24 Code section 423A.14A(3)(e)(1)(c) provides that a referrer may
25 provide the department of revenue such a report on an annual
26 basis, and avoid collecting the sales and use tax if other
27 conditions in Code section 423.14(3)(e)(1) are met.

28 The bill enacts new Code section 423.14A(3)(e)(5) specifying
29 that the paragraph relating to "referrers" is subject to
30 implementation by the department of revenue by rule, and shall
31 not require a referrer to collect tax or comply with the notice
32 and reporting requirements unless such administrative rules
33 take effect.

34 The bill amends Code section 423.48(2)(c) by striking the
35 paragraph specifying that registering under the streamlined

1 sales and use tax agreement in another member state shall be
2 considered to be registered in this state for purposes of the
3 streamlined sales and use tax agreement.

4 The bill establishes a taxation and exemption computers
5 task force to be initiated, coordinated, and staffed by
6 the department of revenue. The task force shall review the
7 definition of "computer" as used throughout the portions of
8 the Iowa Code and the Iowa Administrative Code administered
9 by the department of revenue including the exemption for
10 computers provided in Code section 423.3(47)(a)(4). If the
11 task force recommends modifications to the current definition
12 of "computer" including the exemption for computers provided in
13 Code section 423.3(47)(a)(4), the department of revenue shall
14 provide any recommendations to the general assembly by January
15 1, 2020.

16 DIVISION IV — AUTOMOBILE RENTAL EXCISE TAX. The amendment
17 to Code section 423.14A provides that a person who is not
18 required to collect and remit automobile rental excise tax
19 shall not be considered a "marketplace facilitator" with
20 respect to the sale of certain transportation services.

21 The amendment to Code section 423C.2 substitutes a person
22 required to collect sales or use tax under Code chapter 423
23 for "rental facilitator" and "rental platform" and strikes the
24 definitions of "rental facilitator" and "rental platform" from
25 Code section 423C.2.

26 The amendment to Code section 423C.2(11) modifies the
27 definition of "rental price" to mean the same as "sales price"
28 defined in Code section 423.1, which includes facilitation
29 fees, reservation fees, service fees, nonrefundable deposits,
30 and any other direct or indirect charge made or consideration
31 provided in connection with the renting or facilitation of
32 renting automobiles.

33 The amendment to Code section 423C.3 strikes the definitions
34 of "discount rental charge" and "travel package".

35 The amendment to Code section 423C.3 specifies that the

1 automobile rental excise tax shall be imposed upon the rental
2 price of an automobile if the rental is subject to the state
3 sales or use tax.

4 The bill strikes numerous provisions in Code section 423C.3
5 relating to the collection of the automobile rental excise tax
6 by a "rental facilitator" and "rental platform" due to these
7 definitions being stricken by another part of this division of
8 the bill.

9 The amendment to Code section 423C.3 requires that any
10 person required to collect state sales and use tax on the
11 rental transaction under Code chapter 423 shall collect the
12 automobile rental excise tax as applicable. The amendment to
13 Code section 423C.3 provides that a person is not required
14 to collect and remit the automobile rental excise tax if the
15 person meets certain circumstances. For any rental transaction
16 for which the person is not required to collect and remit the
17 automobile rental excise tax, the amendment to Code section
18 423C.3 requires an automobile provider to be solely liable
19 for any amount of uncollected or unremitted automobile rental
20 excise tax and sales and use tax under Code chapter 423.

21 DIVISION V — TELEPHONE COMPANY PROPERTY. Division V of
22 the bill authorizes the Iowa utilities board to classify a
23 long distance telephone company as a competitive long distance
24 telephone company if certain revenue source criteria are
25 met. In the event of such a classification, the board is
26 required to promptly notify the director of revenue. Upon
27 such notification by the board, the director of revenue is
28 required to assess the property of such competitive long
29 distance telephone company, which property is first assessed
30 for taxation in this state on or after January 1, 1996, in
31 the same manner as all other property assessed as commercial
32 property by the local assessor. The provisions established in
33 the bill are the same as provisions repealed on July 1, 2018,
34 by 2018 Iowa Acts, chapter 1160.

35 The section of Division V of the bill enacting Code section

1 476.1D, subsection 10, takes effect upon enactment and applies
2 retroactively to July 1, 2018, for assessment years beginning
3 on or after that date.

4 Division V also strikes Code section 476.1D, subsection 10,
5 as enacted in the bill, effective July 1, 2021. The future
6 strike of Code section 476.1D, subsection 10, applies to
7 assessment years beginning on or after January 1, 2022.

8 DIVISION VI — TARGETED JOBS WITHHOLDING CREDIT. The
9 amendment to Code section 403.19A extends by one year the
10 deadline for entering into withholding agreements under the
11 targeted jobs withholding credit pilot project from June 30,
12 2019, to June 30, 2020.

13 DIVISION VII — SCHOOL TUITION ORGANIZATION TAX CREDITS.
14 The amendment to Code section 422.11S increases the total
15 amount of school tuition organization tax credits that may be
16 issued per tax year to \$14 million from \$13 million for tax
17 years beginning on or after January 1, 2020.

18 The bill also directs the Code editor to harmonize the
19 amendments to Code section 422.11S in division I with the
20 amendment to Code section 422.11S in division VII, if enacted.